

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Alma Housing Commission	County Gratiot
Audit Date 12/31/04	Opinion Date 4/27/05	Date Accountant Report Submitted to State: 6/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

Po Box 828, 201 E. Hughitt

City

Iron Mountain

State

MI

ZIP

49801

Accountant Signature

Date

6-14-05

ALMA HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended December 31, 2004

ALMA HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Alma Housing Commission
Alma, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Alma Housing Commission as of and for the year ended December 31, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alma Housing Commission as of December 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated April 27, 2005 on our consideration of the Alma Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

As described in Note A to the financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Financial Statements-and Management's Discussion and Analysis-For State and Local Governments* and Governmental Accounting Standards Board Statement No. 37, an amendment of Statement No. 34. This results in a change in the format and content of the financial statements.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alma Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the basic financial statements of Alma Housing Commission. The Financial Data Schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

April 27, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alma Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2004. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Commission's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the entire Commission were reported at \$3,830,083.
- During the year, the Commission's operating revenues totaled \$942,200, or 98.9% of total revenues, while operating expenses totaled \$934,717 or 100% of total expenses.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets (on pages 9 to 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help it cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at December 31, 2004 increased \$17,865 from December 31, 2003.

Table 1

NET ASSETS

Assets	
Current assets	\$ 1,283,479
Capital assets (net)	<u>2,631,899</u>
Total assets	<u>3,915,378</u>
Liabilities	
Current liabilities	71,582
Non-current liabilities	<u>13,713</u>
Total liabilities	<u>85,295</u>
Net Assets	
Invested in capital assets, net of related debt	2,631,899
Restricted	37,912
Unrestricted	<u>1,160,272</u>
Net Assets	\$ <u>3,830,083</u>

Net assets of the Commission stood at \$3,830,083. Unrestricted net business assets were \$1,160,184. In general, the Commission's restricted assets are restricted by laws and regulations and can be used only as approved by the U.S. Department of Housing and Urban Development versus unrestricted net assets which are used to fund operations of the Commission.

Table 2**CHANGE IN NET ASSETS****Revenues:**

Program revenues:

Charges for services	\$ 288,118
Program grants & subsidies	635,433

General revenues:

Other income	18,649
Unrestricted investment earnings	<u>10,382</u>

Total revenues	952,582
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Program Expenses:

Operating expenses	<u>934,717</u>
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Change in net assets	17,865
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Net assets – beginning of period	<u>3,812,218</u>
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Net assets – end of period	<u>\$3,830,083</u>
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BUSINESS-TYPE ACTIVITIES

Revenues for the Commission totaled \$952,582. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Commission had \$6,137,674 invested in a variety of capital assets including land, equipment and buildings as follows:

Table 3

CAPITAL ASSETS AT DECEMBER 31, 2004 Business – Type Activity

Land and improvements	\$ 920,321
Buildings and improvements	4,877,695
Equipment	<u>339,658</u>
Total cost	6,137,674
Less accumulated depreciation	<u>(3,505,775)</u>
NET CAPITAL ASSETS	<u>\$2,631,899</u>

The Commission invested \$139,599 in capital assets during the year ended December 31, 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2004/2005. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2004/2005 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Marcia Zimmerman, at 400 E. Warwick Drive, Alma, Michigan 48801, or call 989-463-4200.

ALMA HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

December 31, 2004

CURRENT ASSETS:

Cash and equivalents	\$ 1,181,313
Accounts receivable	4,494
Investments	95,176
Prepaid expenses	<u>2,496</u>

TOTAL CURRENT ASSETS	<u>1,283,479</u>
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NONCURRENT ASSETS:

Capital assets	6,137,674
Less accumulated depreciation	<u>(3,505,775)</u>

NET CAPITAL ASSETS	<u>2,631,899</u>
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TOTAL ASSETS	<u>\$ 3,915,378</u>
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CURRENT LIABILITIES:

Accounts payable	\$ 8,145
Accrued liabilities	<u>63,437</u>

TOTAL CURRENT LIABILITIES	71,582
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NONCURRENT LIABILITIES	<u>13,713</u>
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TOTAL LIABILITIES	<u>85,295</u>
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NET ASSETS:

Investment in capital assets, net of related debt	2,631,899
Restricted - reserve for replacement	37,912
Unrestricted net assets	<u>1,160,272</u>

NET ASSETS	<u>\$ 3,830,083</u>
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**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

ALMA HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 934,717	\$ 288,118	\$ 635,433	\$ -
				(11,166)
General revenues:				
Unrestricted investment earnings				10,382
Other				18,649
Total general revenues				29,031
Changes in net assets				17,865
NET ASSETS, beginning of year				3,812,218
NET ASSETS, end of year				\$ 3,830,083

The accompanying notes to the financial statements are an integral part of this statement.

ALMA HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended December 31, 2004

OPERATING REVENUES:

Tenant revenue	\$ 288,118
Program grants-subsidies	635,433
Other income	<u>18,649</u>

TOTAL OPERATING REVENUES	<u>942,200</u>
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OPERATING EXPENSES:

Administration	191,550
Tenant services	3,212
Utilities	87,366
Maintenance	193,942
General	32,555
Housing assistance payments	214,476
Other operating expenses	1,650
Depreciation	<u>209,966</u>

TOTAL OPERATING EXPENSES	<u>934,717</u>
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OPERATING INCOME	7,483
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OTHER INCOME (EXPENSES):

Interest income	<u>10,382</u>
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CHANGE IN NET ASSETS	17,865
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NET ASSETS, BEGINNING OF YEAR	<u>3,812,218</u>
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NET ASSETS, END OF YEAR	<u>\$ 3,830,083</u>
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ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.



ALMA HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended December 31, 2004

OPERATING ACTIVITIES:

Cash received from customers	\$ 287,221
Cash received from grants and subsidies	679,862
Cash payments to suppliers for goods and services	(391,700)
Cash payments for wages and related benefits	(319,233)
Cash payments for payment in lieu of taxes	(15,105)
Other receipts	18,649

NET CASH PROVIDED FROM OPERATING ACTIVITIES 259,694

CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	<u>(139,599)</u>
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NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (139,599)

INVESTING ACTIVITIES:

Purchase of investments	(6,160)
Investment income	<u>10,382</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES 4,222

NET INCREASE IN CASH AND EQUIVALENTS 124,317

CASH AND EQUIVALENTS, BEGINNING OF YEAR 1,056,996

CASH AND EQUIVALENTS, END OF YEAR \$ 1,181,313

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 7,483
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	209,966
Changes in assets and liabilities:	
Decrease (Increase) in receivables	43,532
Decrease (Increase) in prepaid expenses	189
Increase (Decrease) in accounts payable	2,335
Increase (Decrease) in accrued liabilities	<u>(3,811)</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 259,694

The accompanying notes to financial statements are an integral part of this statement.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Alma Housing Commission (Commission) was formed by the Alma City Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *"The Financial Reporting Entity"*.

The criteria established by the governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Alma Housing Commission but the Alma Housing Commission is a component unit of the City of Alma, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

During the year the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$250 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation
- 2. Restricted net assets – Represents a Reserve for Replacement Account required to be maintained with disbursements from this account to be approved by the U.S. Department of Housing and Urban Development.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenses and the means of financing them. Prior to December 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS

The Commission maintains segregated cash and investment accounts which are specific to the activity to which they are available.

CASH AND EQUIVALENTS

Cash and equivalents consisted of:

Petty cash	\$ 250
Cash in checkings	<u>1,181,063</u>
 TOTAL	 <u>\$1,181,313</u>

The Commission's cash and equivalents were fully insured and collateralized at December 31, 2004.

Cash and equivalents are categorized as follows:

Category 1 – Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

	<u>Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Petty cash	\$ 250	\$ -	\$ -	\$ -
Checking accounts	<u>1,181,063</u>	<u>-</u>	<u>-</u>	<u>1,182,135</u>
 TOTAL	 <u>\$1,181,313</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$1,182,135</u>



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS(Continued)

STATUTORY AUTHORITY

Michigan law (Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

INVESTMENTS

Investments are stated at market value.

Investments consisted of a certificates of deposit and were in accordance with State of Michigan Statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. Investments are categorized as follows:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	<u>\$95,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$95,176</u>

The Commission held investments in excess of F.D.I.C. insurance limits in the amount of \$45,381.

NOTE C - CAPITAL ASSETS

A summary of capital assets as of December 31, 2004 is as follows:

	<u>Balance</u> <u>1-1-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-04</u>
Land and improvements	\$ 801,247	\$ 119,074	\$ -	\$ 920,321
Building & improvements	4,859,236	18,459	-	4,877,695
Equipment	<u>337,592</u>	<u>2,066</u>	<u>-</u>	<u>339,658</u>
	5,998,075	\$ <u>139,599</u>	<u>\$ -</u>	6,137,674
Accumulated depreciation	<u>(3,295,809)</u>	<u>\$ (209,966)</u>	<u>\$ -</u>	<u>(3,505,775)</u>
Net capital assets	\$ <u>2,702,266</u>			\$ <u>2,631,899</u>

Depreciation expense for the year was \$209,966.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended December 31, 2004 totaled \$942,200 of which \$635,433 or 67.4% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G- PENSION PLAN

Description of Plan and Plan Assets - The Housing Commission participates along with the City of Alma in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS); administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(Continued)

NOTE G—PENSION PLAN (Continued)

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.3333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy – For the non-union employees, the City Commission has established an employee contribution rate of 5.5% of gross wages to maintain the system. Under an agreement negotiated with the police union, the unionized employees also contribute 5.5% of the employee's gross wages towards the maintenance and operation of the pension program.

Actuarial Assumptions – The actuarial information presented in the required supplementary information was based on the assumptions included below:

Variable	Assumption
Valuation Date	December 31, 2003
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage; open
Amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return	8%
Projected salary increases*	8.66% to 4.5%
*Includes inflation at	4.5%
Cost-of-living adjustments	None

Annual Pension Cost – For year ended June 30, 2004 the City's annual pension cost was zero for the plan. Due to the funding status with the accelerated funding credit, the City made no contribution during the fiscal year. The pension numbers included are based on the December 31, 2003 actuarial report. Three-year trend information is presented below:

	Fiscal year beginning July 1,		
	2001	2002	2003
Annual required contribution (ARC)	\$ 92,514	\$ 66,846	\$ 49,956
Accelerated Funding Credit	\$ 92,514	\$ 66,846	\$ 49,956
Net required contribution	-	-	-
Percentage of ARC contributed	NA	NA	NA
Net pension obligation	\$ -	\$ -	\$ -
	Calendar year ending December 31,		
	2001	2002	2003
Actuarial value of assets	\$14,526,113	\$14,457,361	\$14,988,769
Actuarial Accrued Liability	\$12,784,316	\$13,541,206	\$14,174,229
Excess Funding	\$ 1,741,797	\$ 916,155	\$ 814,540
Funded ratio	113.6%	106.8%	105.7%
Covered payroll	\$ 2,773,660	\$ 2,798,598	\$ 2,807,398
Excess as a percentage of covered payroll	62.8%	32.7%	29.0%



**SUPPLEMENTAL
INFORMATION**



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2004

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	\$ 24,160	\$ 1,102,961	\$ 54,192	\$ -	\$ 1,181,313
100	Total cash	24,160	1,102,961	54,192	-	1,181,313
Accounts and notes receivables:						
122	Accounts receivable- HUD Other Projects	-	-	2,321	-	2,321
126	Accounts receivable- tenants	-	2,173	-	-	2,173
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	-	2,173	2,321	-	4,494
Other current assets:						
131	Investments	37,912	57,264	-	-	95,176
142	Prepaid expenses	-	2,496	-	-	2,496
144	Interprogram due from	2,365	-	-	-	2,365
150	TOTAL CURRENT ASSETS	64,437	1,164,894	56,513	-	1,285,844
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	-	124,090	-	-	124,090

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2004

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
162	Buildings	982,370	3,880,591	-	14,732	4,877,693
163	Furniture, equipment & machinery - dwellings	51,048	60,397	-	-	111,445
164	Furniture, equipment & machinery - administration	26,038	151,990	-	50,187	228,215
165	Leasehold improvements	18,024	641,344	-	136,863	796,231
166	Accumulated depreciation	(749,429)	(2,723,031)	-	(33,315)	(3,505,775)
160	Total fixed assets, net of accumulated depreciation	328,051	2,135,381	-	168,467	2,631,899
180	TOTAL NONCURRENT ASSETS	328,051	2,135,381	-	168,467	2,631,899
190	TOTAL ASSETS	\$ 392,488	\$ 3,300,275	\$ 56,513	\$ 168,467	\$ 3,917,743

LIABILITIES AND EQUITY

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 2,179	\$ 5,818	\$ 148	\$ -	\$ 8,145
321	Accrued wages / payroll taxes payable	3,476	7,491	1,073	-	12,040
322	Accrued compensated absences - current portion	4,197	8,212	1,526	-	13,935
333	Accounts payable - other government	-	13,517	-	-	13,517
341	Tenant security deposits	5,065	17,225	-	-	22,290
342	Deferred revenues	22	1,633	-	-	1,655

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2004

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
347	Interprogram due from	-	2,365	-	-	2,365
310	TOTAL CURRENT LIABILITIES	14,939	56,261	2,747	-	73,947
354	Accrued compensated absences - non current	4,927	6,994	1,792	-	13,713
350	TOTAL NONCURRENT LIABILITIES	4,927	6,994	1,792	-	13,713
300	TOTAL LIABILITIES	19,866	63,255	4,539	-	87,660
<u>EQUITY</u>						
508.1	Investment in capital assets, net of related debt	328,051	2,135,381	-	168,467	2,631,899
512.1	Unrestricted net assets	44,571	1,101,639	51,974	-	1,198,184
513	TOTAL EQUITY	372,622	3,237,020	51,974	168,467	3,830,083
600	TOTAL LIABILITIES AND EQUITY	\$ 392,488	\$ 3,300,275	\$ 56,513	\$ 168,467	\$ 3,917,743

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>REVENUES</u>						
703	Net tenant rental revenue	\$ 75,628	\$ 211,363	\$ -	\$ -	\$ 286,991
704	Tenant revenue - other	48	1,079	-	-	1,127
705	Total tenant revenue	75,676	212,442	-	-	288,118
706	HUD PHA grants	119,098	164,680	232,581	-	516,359
706.1	Capital grants	-	-	-	119,074	119,074
711	Investment income - unrestricted	241	10,076	65	-	10,382
715	Other revenue	7,463	11,186	-	-	18,649
700	TOTAL REVENUE	202,478	398,384	232,646	119,074	952,582
<u>EXPENSES</u>						
Administrative:						
911	Administrative salaries	37,139	62,747	20,969	-	120,855
912	Auditing fees	100	1,600	500	-	2,200
914	Compensated absences	(325)	(542)	(118)	-	(985)
915	Employee benefit contributions- administrative	12,713	21,510	7,001	-	41,224
916	Other operating- administrative	3,218	20,722	4,316	-	28,256
	Total Administrative	52,845	106,037	32,668	-	191,550

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Tenant services:						
924	Tenant services - other	1,895	1,317	-	-	3,212
Utilities:						
931	Water	3,542	13,631	-	-	17,173
932	Electricity	19,557	11,721	-	-	31,278
933	Gas	2,010	36,905	-	-	38,915
	Total Utilities	25,109	62,257	-	-	87,366
Maintenance:						
941	Ordinary maintenance and operations - labor	30,557	87,964	-	-	118,521
942	Ordinary maintenance and operations - materials & other	1,499	11,362	-	-	12,861
943	Ordinary maintenance and operations - contract costs	10,083	13,114	-	-	23,197
945	Employee benefit contributions- ordinary maintenance	10,647	28,716	-	-	39,363
	Total Maintenance	52,786	141,156	-	-	193,942
General expenses:						
961	Insurance premiums	-	18,641	109	-	18,750
962	Other general expenses	-	-	315	-	315
963	Payments in lieu of taxes	-	13,517	-	-	13,517

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2004

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
964	Bad debts - tenant rents	-	(27)	-	-	(27)
	Total General Expenses	-	32,131	424	-	32,555
969	TOTAL OPERATING EXPENSES	132,635	342,898	33,092	-	508,625
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	69,843	55,486	199,554	119,074	443,957
971	Extraordinary expenses	1,650	-	-	-	1,650
973	Housing assistance payments	-	-	214,476	-	214,476
974	Depreciation expense	26,422	166,561	-	16,983	209,966
900	TOTAL EXPENSES	160,707	509,459	247,568	16,983	934,717
	Other financing sources (uses)					
1010	Total other financing sources (uses)	-	-	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ 41,771	\$ (111,075)	\$ (14,922)	\$ 102,091	\$ 17,865

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2004

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
MEMO account information						
1103	Beginning equity	\$ 330,851	\$ 3,348,095	\$ 66,896	\$ 66,377	\$ 3,812,219
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ -	\$ -	\$ (1)	\$ (1)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ -	\$ 229,161	\$ -	\$ 229,161
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ -	\$ 3,420	\$ -	\$ 3,420
1116	Total Annual Contributions Available	\$ -	\$ -	\$ 232,631	\$ -	\$ 232,631
1120	Unit months available	360	1,128	768	-	2,256
1121	Number of unit months leased	356	1,109	752	-	2,217

See accompanying notes to financial statements

ALMA HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended December 31, 2004

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



ALMA HOUSING COMMISSION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"**

Board of Commissioners
Alma Housing Commission
Alma, Michigan

We have audited the financial statements of the business-type activities of the Alma Housing Commission, as of and for the year ended December 31, 2004, which collectively comprise the Alma Housing Commission's basic financial statements and have issued our report thereon dated April 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Alma Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Alma Housing Commission, in a separate letter dated April 27, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alma Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards". However, we noted certain immaterial instances of noncompliance that we have reported to management of the Alma Housing Commission in a separate letter dated April 27, 2005.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.



ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants
Iron Mountain, Michigan

April 27, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Commissioners
Alma Housing Commission
Alma, Michigan

Compliance

We have audited the compliance of Alma Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2004. Alma Housing Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Alma Housing Commission's management. Our responsibility is to express an opinion on Alma Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alma Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Alma Housing Commission's compliance with those requirements.

In our opinion Alma Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Alma Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Alma Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

April 27, 2005

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



ALMA HOUSING COMMISSION

Year End: December 31, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expended as of 12-31-03</u>	<u>12-31-04 Federal Expenditures</u>
Operating Subsidy	14.850	\$ <u>164,680</u>	\$ _____ -	\$ <u>164,680</u>
Section 8 Rental Voucher	14.871	\$ <u>232,581</u>	\$ _____ -	\$ <u>232,581</u>
Section 8 New Construction	14.182	\$ <u>119,098</u>	\$ _____ -	\$ <u>119,098</u>
Capital Funding	14.872			
501-01		\$ 189,112	\$ 127,731	\$ 61,381
501-02		<u>179,983</u>	_____ -	<u>57,693</u>
		\$ <u>369,095</u>	\$ <u>127,731</u>	\$ <u>119,074</u>
Total Department of Housing and Urban Development				\$ <u>635,433</u>
TOTAL FEDERAL EXPENDITURES				\$ <u>635,433</u>

See accompanying notes to the schedule of expenditures of federal awards.



ALMA HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alma Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



ALMA HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2004

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Alma Housing Commission.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Alma Housing Commission.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Alma Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Alma Housing Commission.
7. The programs tested as major programs included:
 - A. Housing Choice Vouchers – CFDA 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Alma Housing Commission was determined to be a low-risk auditee.

**B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

1. There were no findings or questioned costs.

C. PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no prior findings or questioned costs.





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

April 27, 2005

Board of Commissioners
Alma Housing Commission
Alma, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Alma Housing Commission for the year ended December 31, 2004, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 27, 2005, on the financial statements of the Alma Housing Commission.

1. During the review of cash and investments it was noted that although the Commission had depository agreements in place with the banks it does business with, the Commission's funds were not fully collateralized as required by HUD.

Recommendation

The ACC contract with HUD states that the Commission is required to have depository agreements signed by all financial institutions it does business with. The depository agreement states that the financial institution will insure any of the Commission's funds that exceed \$100,000. Although the Commission had depository agreements signed with each of its banks, it did not follow-up with them to verify that they had those funds in excess of \$100,000 insured. At December 31, 2004, the Commission had funds in excess of insured amounts totaling \$45,381. The Commission should require its banks to provide documentation of collateral at a minimum on a quarterly basis. It is imperative that the Commission monitor its cash and investments continuously to verify that the collateral provided by the banks is adequate throughout the year.

2. During the review of Section 8 Voucher tenant files it was noted that some files did not contain clearly read information regarding HQS inspections.

Recommendation

The Commission should have policies and procedures in place that requires it to effectively monitor its Section 8 homes that fail inspection. HQS inspections are to be completed annually when the tenant is re-certified or upon entrance into the program. HQS inspections that fail are to be re-examined within 30 days to make sure the failed components have been corrected. Those failures deemed to be life threatening are to be mitigated within 24 hours, all others are to be completed within 30 days. The Commission should make sure that it has adequate documentation in its files that failed inspections were re-inspected within the 30 day requirement.

3. During the review of disbursements it was noted that invoices were not cancelled upon payment.

Recommendation

The Commission should have policies and procedures in place that requires it to effectively cancel its invoices once they are paid. This could be done by either writing "Paid" or stamping "Paid" on each invoice along with the check number and date.

4. During the review of policies and procedures it was noted that the Commission's procurement policy for small purchases was at a very low amount.

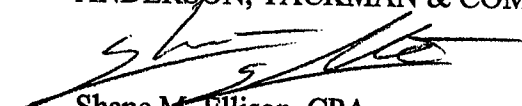
Recommendation

The Commission should consider increasing its procurement policy with regards to small purchases to a larger amount. The amount should be at a level that makes some kind of sense from a management point-of-view.

We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC



Shane M. Ellison, CPA